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Advertising Age®

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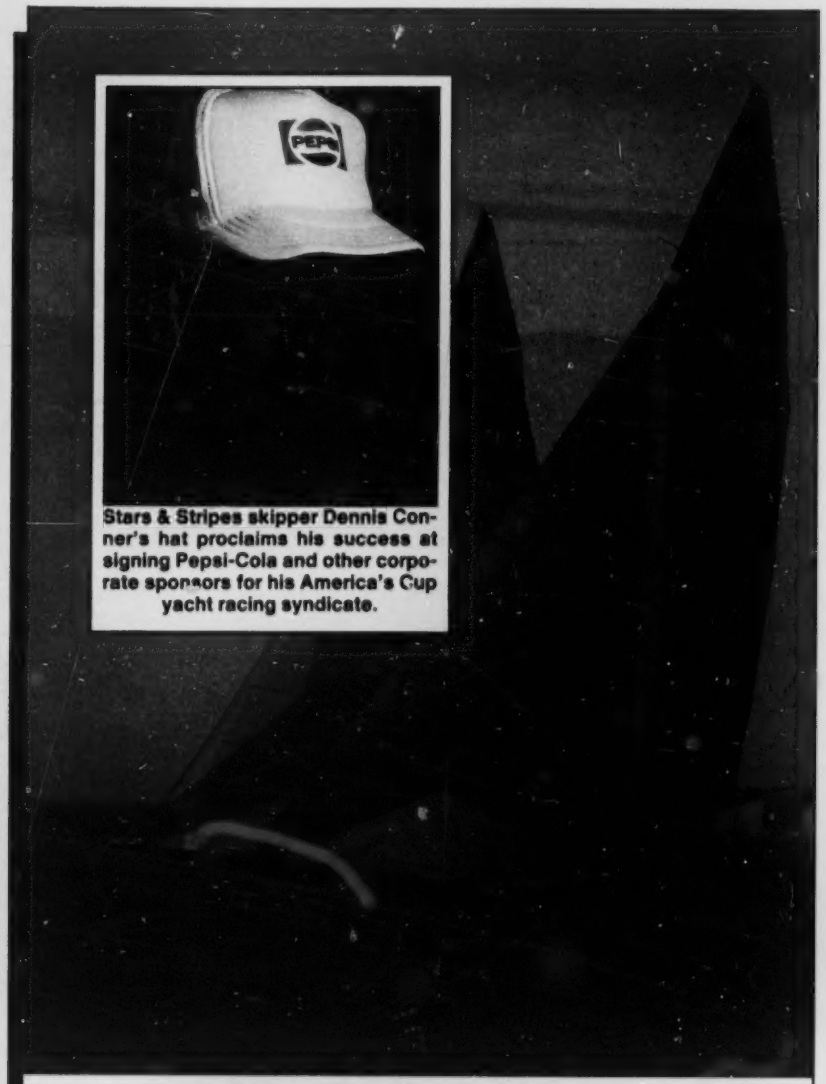


Stars & Stripes skipper Dennis Conner's hat proclaims his success at signing Pepsi-Cola and other corporate sponsors for his America's Cup yacht racing syndicate.

Sell on

Conner says g'day to Philip Morris, Pepsi

By ROBERT RAISSMAN

The America's Cup may be safely tucked away in the San Diego Yacht Club, but the race to enlist new corporate sponsors for both the yacht, Stars & Stripes, and its skipper, Dennis Conner, continues at a breakneck pace.

Representatives of the San Diego Yacht Club's Sail America syndicate, with Mr. Conner himself making the corporate contacts, have received $10 million in new commitments from sponsors.

The money will be used to pay off debt from the current Stars & Stripes campaign and to finance the defense of the cup in 1990 or 1991.

Mr. Conner last week avenged his historic 1983 loss to Australia by skippering Stars & Stripes to a 4-0 sweep of Kookaburra III in Freemantle, Australia, to regain the cup.

He thus became the first American ever to win, lose and then regain the yachting championship. (Mr. Conner first won the America's Cup in 1980 as skipper of Freedom, then lost the title in 1983 with Liberty.)

Sources said Philip Morris USA is

(Continued on Page 72)

Competitors face Big Mac promo attack

By SCOTT HUME and PATRICIA WINTERS

McDonald's Corp., the nation's No. 1 fast-food chain, is preparing a nationwide promotional-marketing event, and this time Big Mac is upping the ante.

A scratch-card game involving up to $65 million in prizes—including free food and cash—and tied to Parker Brothers' popular board game Monopoly reportedly will be launched April 3, according to industry sources.

As with its previous games, prizes include free food—$20 million worth, say these sources. But McDonald's plans to give away anywhere from $30 million to $45 million in cash during the six-to-eight-week promotion, according to source estimates.

TV advertising support, from Leo Burnett USA, Chicago, could top $25 million.

Simon Marketing, Los Angeles, and Frankel & Co., Chicago, are coordinating creation of the promotion.

Oak Brook, Ill.-based McDonald's, which recently announced global sales of more than $12 billion for 1986, declined to confirm the promotional plans.

That kind of massive national marketing effort, anchored by heavy network TV buys, runs counter to a shift toward local marketing and promotion many chains are making to combat flat sales and increased competition.

While declining to discuss its local/national marketing spending strategy, Burger King Corp. President Charles Olcott said in a

(Continued on Page 74)

Miller in huge buy for '88 Olympics

By VERNE GAY

New York—Miller Brewing Co. is close to signing a spectacular multimillion-dollar 1988 Olympics advertising deal with NBC-TV and ABC-TV.

The huge deal, believed to be worth more than $25 million on NBC alone, represents the largest advertising commitment to date for the 1988 Summer Olympics in Seoul, South Korea, and the 1988 Winter Olympics in Calgary, Alberta.

NBC, which will telecast the Summer Games beginning September 1988, has reportedly sold up to 50% of all inventory to a number of other major advertisers, including Eastman Kodak Co., Coca-Cola and Federal Express Corp.

As part of the Summer Olympics deal, Miller also becomes NBC's exclusive beer sponsor on its Saturday Major League Baseball broadcasts for the next three years.

The Milwaukee-based brewery has also agreed to what amounts to one of the most unusual media deals of the decade with ABC. According to sources, the Winter Olympics package also includes a three-year partial beer sponsorship of ABC's "Monday Night Football." That deal, however, is contingent on ABC re-signing with the National Football League for the games.

The current NFL network TV contracts have expired, and negotiations on a new broadcast package begin this month. The Miller deal could have a major impact on the outcome of those talks.

Sources said the Miller deals do not amount to a preemptive strike against archrival Anheuser-Busch. Both brewers have shared "MNF" for several years. A-B probably will agree to a continuation of the beer category split on "MNF" and is expected to pick up the other half of the beer category on the Summer Olympics.

Miller's NBC deal will apparently be for one-half of the total Summer Olympics beer sponsorship.

Details on rates paid by Miller remain scant, although industry observers said the brewer secured lower-than-average rates on

(Continued on Page 74)

Last Minute News

VW enters 'Amerika'

Troy, Mich.—Volkswagen U.S. has purchased "at a lucrative discount" 12 30-second units in ABC-TV's controversial miniseries, "Amerika." The time previously was held by Chrysler, which on Jan. 27 pulled 37 units, worth more than $5 million, from the program. ABC could lose as much as $3 million on "re-expressing" Chrysler's "Amerika" time in other programming. Chrysler now will pay the ABC per-unit rate for the new shows, which will generally be less than the $142,000 ABC sources say Chrysler paid for "Amerika." Any advertiser transferring into "Amerika" from another ABC show will still pay

(Continued on Page 8)

Highlights

McDonald's lands on Boardwalk 1
McDonald's Corp., the nation's No. 1 fast-food chain, is preparing another of its nationwide promotional-marketing events, according to industry sources. A scratch-card game tied to Parker Brothers' board game Monopoly reportedly will begin April 3.

GF's regional pitch 3
General Foods Corp. is taking its first major step toward localized marketing through a test program in Denver. The regional operation will coordinate local advertising, promotion, trade liaisons and product tie-ins, said Philip Smith, GF president-ceo.

On Ehrlich's wings 6
The architect of Trans World Airlines' plan to shift airplanes on its major routes has helped fuel a dramatic financial turnaround in TWA's domestic-route system. Morton Ehrlich, TWA exec VP-planning and government affairs, last summer shifted airplanes to transcontinental routes from trans-Atlantic routes and this winter rerouted the planes to Florida and the Caribbean.

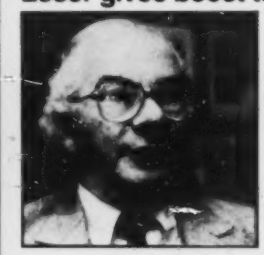
P&G smells opportunity 4
Observers who watch Procter & Gamble Co. to see where other consumer-goods marketers will be moving should note that the marketer soon will introduce an unscented version of its Liquid Tide laundry detergent. P&G has been offering an increasing number of unscented versions of its flagship products.

Cereals soak older market 22
Ready-to-eat cereal makers are shifting their new-product focus and advertising dollars to teens and adults, who are not inclined to eat breakfast with cartoon characters.

Fighting Florida ad tax 51
The president of a Florida ad agency minced no words last week telling a state commission what Florida's proposed 5% tax on advertising would do to his seven-employe, $1.6 million shop. "This tax is going to kill us," said Robert Pace III, president of Burdette Advertising, Fort Myers.

FEATURES

Leser gives boost to Conde Nast 44



In his 27 years at Conde Nast Publications, Australian Bernard Leser has founded two foreign editions of *Vogue*, set up the company's Australian publishing operation and reorganized the U.K. unit. He is known for introducing successful new publications and spotting a winning element in a struggling magazine. In March, he moves to New York as Conde Nast president.

INTERNATIONAL

Client needs spawn legal assistance 48
In a world full of megamergers, deregulation and global advertising, legal questions are becoming increasingly common, and lawyers employed by advertisers, agencies and law firms are expected to keep up.

Philippines lays down law 60
The approval of a new constitution last week in the Philippines will force J. Walter Thompson Co. and McCann-Erickson Worldwide, now owning 100% of their Manila offices, to reduce their equity to 30%.

OTHER NEWS

Colgate-Palmolive has shifted the major new-product focus of its domestic company out of the traditional operating unit to a separate group under Cyrill Siewert, VP-new business development and planning. Page 12.

"The Cosby Show," already one of the most successful shows in the history of TV syndication, intends to become one of most expensive barter programs for advertisers as well. Page 61.

One feels a certain heart tug for the folks at Ketchum Advertising in San Francisco. Here they have a modest industry-association client that suddenly burgeons into a $30 million account, and the product has to be red meat. If Ketchum doesn't somehow turn beef's image around, you can be sure the steer barons will exact their pound of flesh. Page 63.

Zale Corp. unveils its first advertising under new ownership in a Valentine's Day effort for its Zales Jewelers division. A 30-second network TV spot showing a romantic couple playing a word game will run Feb. 11 to 13. The $2.3 million effort, via the Bloom agency, includes network radio, spot TV and newspaper ads. Page 69.

The black boycott of Revlon products has the beauty marketer scrambling on the public relations front. The boycott campaign, promoted by the Rev. Jesse Jackson's Operation PUSH, has disrupted "business as usual" at Revlon Group, if not actual sales. Page 71.

SPECIAL REPORT

The jump in household income, not the rate of population growth, is the most surprising fact about the hispanic market. Hispanic marketers and media want to erase the stereotype of the impoverished hispanic from the mind of corporate America.

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JWT alarms Wall Street with losses

By STEWART ALTER

JWT Group last week said it will post a $5 million-plus fourth-quarter 1986 loss, which Wall Street analysts are calling "serious" and "scary."

These analysts, who point out that the fourth quarter traditionally is a profitable one for ad agencies, left unimpressed from their first meeting with JWT Group Chairman-ceo Don Johnston since he ousted Joseph O'Donnell from JWT (AA, Feb. 2).

Agency execs discuss public vs. private. See Page 70.
Do JWT's problems make mega-mergers look good? See Page 48.

According to reports of the meeting, Mr. Johnston read from a prepared text and disclosed two previously unreported facts about the fateful Jan. 20 meeting at which Mr. O'Donnell, who held the title of chairman-ceo at J. Walter Thompson Co., first presented his proposals to restructure JWT Group and have Mr. Johnston step down as JWT Group ceo.

First, it was Mr. O'Donnell who requested the presence of JWT General Counsel Stephen Salorio and, second, ousted JWT President-Chief Operating Officer John Peters also was at the meeting.

Although seemingly minor, the fact that Messrs. Salorio and Peters were present tends to support a growing belief that Mr. O'Donnell

(Continued on Page 73)

Saatchi shares rebound

By LAUREL WENTZ

LONDON—Saatchi & Saatchi Co.'s stock price is recovering from the turmoil surrounding last year's acquisition of Ted Bates Worldwide.

In the past month, the stock price here has soared by 17% and market analysts expect the climb to continue.

U.S. buyers are accounting for a large share of the increased demand for the group's stock, analysts said.

"There is serious buying of [Saatchi] shares because they are fundamentally undervalued," said Mark Shepperd, an advertising industry analyst at Philips & Drew, Saatchi's stockbroker here.

"I think there was a certain amount of hysterical reaction to the bad press the company received last summer and autumn when it was in the process of losing some accounts at Bates to client conflict, and the share price reacted downward," he added. "When you don't get

(Continued on Page 73)

Gibbons exits DDB Needham

SAN FRANCISCO—Jerry L. Gibbons, president of DDB Needham Worldwide's office here, has resigned, citing philosophical differences with management. "We are operating under different mandates, and I feel it is best for me to look for a change," Mr. Gibbons said in a statement.

When asked to elaborate, he mentioned "bottom-line pressures" and "more involvement out of L.A.," as reasons for his departure. Senior VP-Director of Account Service Roger Lavery will take on Mr. Gibbons' responsibilities as exec VP-general manager. Mr. Lavery joined the office here in 1984 after four years in Los Angeles.

* * *

California, Los Angeles, is searching for a successor to Editor Harold Hayes, who left following differences with owner Alan Bennett over the publication's direction. Publisher Perry Grayson said Mr. Bennett wishes to broaden *California's* appeal by expanding editorial coverage beyond the arts. Mr. Hayes, an *Esquire* editor from 1963 to 1973, is researching a book in Africa.

Dayton Hudson Corp.'s Mervyn's division, San Francisco, selected Foote, Cone & Belding to handle its $17 million account previously in-house. Hal Riney & Partners also competed.

Mojo MDA-Allen & Dorward by midyear will open a Los Angeles office with the Australia Tourist Commission and Victoria Tourist Commission accounts as its pegs. The Sydney-based agency, which acquired San Francisco-based Allen & Dorward in November (AA, Nov. 17), is looking to acquire a New York shop by year end.

Doremus Porter Novelli, San Francisco, has acquired Russom & Co., a $1.3 million public relations shop, following the Feb. 2 death of President Jerry Russom. Doremus Porter Novelli is the new name.

West Coast News

Special Report

Steve Musgrave

Buying power bursts poverty-stricken image

By Ed Fitch

A *pinata* promises players a shower of treats, typically candy, fruit and pocket change. Those involved in selling the hispanic market make a similar promise to interested advertisers—except they promise more than small-change results.

To attract more players, hispanic marketers and media want to clear corporate America's vision of the segment's purchasing power and erase the stereotype of the impoverished hispanic.

Market watchers are amazed by the segment's population growth, from about 14.6 million in 1980 to 18.9 million this year. Although astounding, this oft-repeated figure is not news and obscures new wrinkles in the market's complexion. "The most dramatic finding of our ["1987 U.S. Hispanic Market Study"] study was the jump in household income, not the rate of population growth," says Richard Tobin, president, Miami-based Strategy Research.

Growth in hispanics' median income kept pace with that of the total U.S., rising 15.1% from $19,900 in 1985 to $22,900 in 1987. The total U.S. figure increased 15.5% to $32,800 during the same time period.

The hispanic market's aggregate household income rose 27.9% from $123.4 billion in 1985 to $157.8 billion this year, representing $134.1 billion in purchasing power, according to Strategy Research. During the same time period, the hispanic population rose 7.5%.

"The bottom line income of hispanics is growing at a faster rate than that of whites or blacks," says Robert Hitchens, VP-marketing, Univision/Spanish International Network, New York. From 1980 to 1984, after-tax income per U.S. household increased 8.7% annually, as hispanics' grew 12.5% annually, he says.

"Hispanics, of course, are starting at a lower base," he says.

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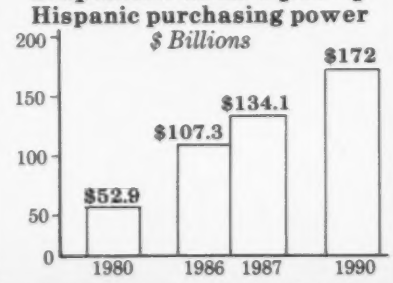
Disposable dollars pile up
Hispanic purchasing power
$ Billions



Sources: U.S. Bureau of Census, *Hispanic Business*, Strategy Research Corp.

Asians share certain hispanic values

Marketers who find targeting hispanics intimidating shouldn't bother reading this story. They won't be comfortable with the following: Another immigrant group is on the rise, one that will make forays into the hispanic market seem like a picnic.

"The U.S. Asian market is much more complex," says Ruben Lopez, marketing director for special projects, Metropolitan Life Insurance Co., New York. "There are more languages, more cultures, more subtleties to deal with."

In addition to this marketing conundrum, Asians probably never will exceed hispanics in sheer numbers. Although the Washington-based Population Reference Bureau estimates the U.S. Asian population will double to 10 million by 2000, that figure falls far short of the 27 million to 30 million U.S. hispanics forecast by century's end. Asian immigrants bring some tempting gifts to the party, however. They generally are better educated and have more disposable income than recently arrived hispanics, Mr. Lopez says.

Met Life marketers have found targeting the U.S. Asian market even more inscrutable than the hispanic segment.

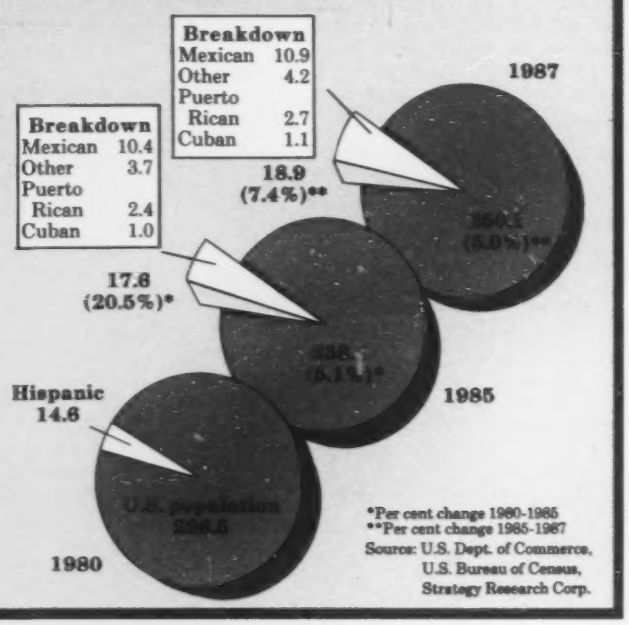
In fact, U.S. Asians had a 1980 median family income of $23,000 compared with a total U.S. figure of $20,000. And some 32% of Asian adults are college educated compared with 17% of white adults.

Enough similarities exist between the hispanic and Asian immigrant groups that Mr. Lopez has been placed in charge of Met Life's attempts to reach both. His description of the Asian market sounds like an attitudinal profile of a typical U.S. hispanic. "They are conservative, traditional and

(Continued on Page S-6)

Redefining the "population bomb"

Total population (000,000)



Buying power

(Continued from Page S-1)

couraging."

Because average weekly household grocery expenditures have increased from only $99 in 1984 to $102 in 1987, the "increased household income is going to other products," Mr. Tobin says, particularly more high-ticket goods.

"Hispanics no longer are being looked at simply as people who have headaches, sinus trouble and eat," says Mr. Hitchens. "They are being recognized as targets for financial services and computers. That should put the change in perspective."

Many assumed all hispanics were on welfare, says Alicia Conill, who heads Conill Advertising, a New York-based hispanic market ad agency. "That's never been true, but the realization it's not true is just coming out in the marketplace. A lot more hispanic women are working, which is having an effect on the increase in disposable income."

The latest employment figures show 49% of hispanic women work vs. 53% for the general market, says Dale Dauten, president, Research Resources, Westlake Village, Calif. "And more than half the nation's hispanics own their own homes. In fact, if you count income and non-cash benefits, only 11.4% of hispanics are living below the poverty line."

Despite this, many companies that sell premium items, regardless of their price, don't target hispanics, he says. "Even those selling premium soap won't consider their products appropriate."

Hispanics select products from a smaller universe because fewer brands are distributed and advertised to them. "This not only shrinks the brand pool, it shrinks it in favor of premium brands because they view these as a guarantee they will like the product. To them, premium price is a guarantee of quality," Mr. Dauten says.

Premium quality also will fetch premium sales, says Carlos Rossi, Conill's president and ceo. "If a product's quality matches its premium price, they'll buy it; they buy products on a cost-value relationship. Companies' perception that big ticket products are priced out of hispanics' reach is not realistic."

In 19 markets, automobile sales to hispanics jumped 36%, while general market auto purchases went up 23%. "Now that's a pretty lusty increase in sales of a big-ticket item," Mr. Hitchens says.

In 1986 companies asked Univision to produce hispanic product consumption studies for categories like candy, footwear, analgesics, cereals, tires and cosmetics—nothing too surprising. But, he says, marketers also requested usage information on photography equipment, large appliances and life insurance, highlighting the market's migration into higher price-tag product categories.

"We've always had the food and household care products," says John Pero, Univision's VP, national sales manager. "But we're branching out as new categories become interested. More companies are looking at the market because its income level is moving into their realm."

The trend will snowball as hispanic consumption evolves into new areas. "For example, now that automotive marketers are targeting the market, after-market advertisers will follow naturally," he says.

The most natural pull for advertisers, however, will be the magnetic attraction of consumer dollars. "With a $134 billion potential, the market has become very attractive to Eastern," says Rob de-Cespedes, manager-international advertising at Miami-based Eastern Air Lines. "Travel, for example, has come within the reach of a greater number of hispanics."

The income of hispanics who have lived in the U.S. for 10 or more years—and this segment's numbers swell daily—equals or exceeds that of non-hispanics, says Ruben Lopez, marketing director-special projects, Metropolitan Life, New York. "It is a natural evolution." The longer they are in the U.S., the higher their incomes and education, he says.

"The hispanic that is attracted to Met Life's product earns $25,000, $30,000 or more," Mr. Lopez says. "In that regard, they don't differ too much from Met Life's non-hispanic customer."

This raises great speculation over future targeting methodology. As their income grows, hispanics theoretically will become more like the general market and could then be targeted increasingly in terms of income level rather than by nationality. Met Life already segments the market along income lines, Mr. Lopez says.

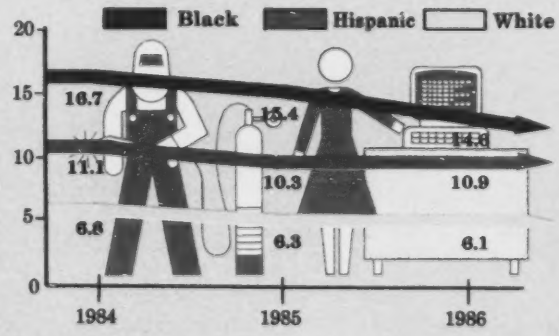
"This is the first time the market is segmenting more on income lines," says Arturo Villar, publisher of *Vista*, a Coral Gables, Fla.-based, English-language, hispanic-oriented newspaper insert. Income analysis has been performed on a market-by-market basis, he says. "For example, Miami is richer, so that's the place to sell upscale." This approach is simplistic, Mr. Villar says, because "even in Miami there is income stratification."

Current targeting factors like cultural composition will diminish in relevance as the market continues its upscale odyssey, he says. "As income rises, there are less differences and more commonalities among hispanics, whether they have a

(Continued on Page S-8)

Working over the welfare myth

Percentage of people unemployed



Per cent unemployed, first qtr., 1986	
Puerto Rican	16.6%
Mexican	12.3%
Other	11.7%
Cuban	7.3%

Source: Bureau of Labor Statistics

Amnesty impact borders on dramatic

In describing the U.S.-Mexican border, a word like "sieve" invariably comes to mind. In recognizing the border's porousness and attempting to seal it, Congress passed the ominous-sounding Immigration Reform & Control Act of 1986, which took effect last Nov. 6.

The law holds stiff penalties over employers' heads—up to $10,000 per illegal employee and six months in jail—who hire illegal aliens. It also offers an amnesty program for those undocumented aliens who can prove continuous, illegal U.S. residency since January 1982.

The latter provision could have a significant effect on both the size of the hispanic market and its demographic profile. Currently, the U.S. Census Bureau adds a 200,000-person fudge factor into its official tally to account for undocumented aliens, says Richard Tobin, president, Strategy Research, Miami.

"But 1.8 million illegals were turned back at the border in 1986 alone," he says. "And the Immigration and Naturalization Service estimates that the ratio of attempted crossings to successful crossings is either 1-to-1, 1-to-2 or 1-to-3." That translates into 1.8 million to 5.4 million undocumented hispanics entering the U.S. last year alone.

Census Bureau analysts take a less extreme view, estimating the total group of hispanics eligible for the amnesty program will total 2.5 million to 4 million, says Edward Fernandez, special assistant at the Census' Suitland, Md.-based Population Division. "I don't think the numbers will be radically affected by the amnesty program because I feel a good portion did report in the 1980 Census."

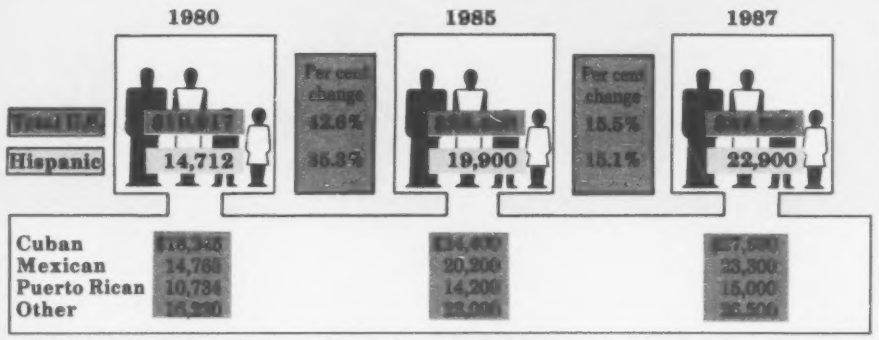
He credits talk of an amnesty program back then—"by taking part in the Census, they could prove residency"—and a major push for hispanic participation with boosting 1980 involvement. "This helps explain the phenomenal 61% growth from the 1970 to 1980 Census," he says.

He admits the official Census figures are almost comical. "In 1980 the Census reported there were 17,000 people of hispanic

(Continued on Page S-6)

Keeping pace with the nation's dollar power

Median family income



Sources: U.S. Dept. of Commerce, U.S. Bureau of Census, Strategy Research Corp.

Amnesty

(Continued from Page S-2)

origin in Washington, D.C.," Mr. Fernandez says. "The figure is a total absurdity. Hispanics were laughing at it."

Some say the program will cause a substantial blip in the population growth curve. Eduardo Caballero, president of New York-based Caballero Spanish Media says the result will be a 20% increase over 1990 Census projections.

Dale Dauten, who heads Westlake Village, Cal.-based Research Resources, says that although he feels a 2 million to 5 million increase is pretty realistic, the program also may make some 8 million to 12 million relatives currently residing in other countries eligible for citizenship. "The program's main effect will be to close off the illegal flow and open up the legal flow."

Visions of a torrent of legal crossings has some marketers flying high. "It is inevitable the immigration law will increase our business," says Rob deCespedes, manager-international advertising at Miami-based Eastern Air Lines. Instead of wading the Rio Grande to visit family or their homeland, the newly documented will fly and walk through customs.

Between 1.8 million and 5.4 million undocumented hispanics may have entered the U.S. last year.

Hispanic media and agencies pushing much less glamorous products also will benefit from larger numbers, says Alicia Conill, head of the New York-based agency that bears her name. "We know the undocumented are out there, and we know they buy Campbell's soup and Dial soap. But now they will be an official part of the market and their contribution to it will be counted."

Although the program invariably will boost the market's numbers, it may cause it to stumble in its quest for upward mobility. Those who become legal under the amnesty offer, says Mr. Fernandez, "will be the lowest strata of hispanic society." Their income, educational and acculturation levels will be at or near the bottom of the segment, he says.

The program also may fail miserably in achieving its main goal of tightening up the border. "The undocumented are in a state of desperation to escape a life they cannot continue living; they will leave at any cost," he says. "They are not tourists."

—Ed Fitch

In South Florida, nearly a million people think in Spanish, do business in Spanish, make love in Spanish and you're advertising to them in English.

They won't buy that.

There's only one way to reach one of the most dynamic markets in the country. In their language. On their station. For more information call your Univision sales representative or Blaine Decker, Vice President and General Sales Manager, WLTV Miami, at (305) 856-2323.

WLTV. Channel 23. America's highest rated Spanish TV station.
A Spanish International Communications Corporation station
An affiliate of the Univision Spanish International Network

Asians

(Continued from Page S-2)

maintain their native language. They are family oriented and feel a strong need to improve their education. "In fact," he says, "these tendencies are more accentuated in the Asian market."

These similarities give companies that have come to grips with the hispanic segment a distinct advantage in pursuing the Asian market. "We use the hispanic market as a prototype for our efforts in the Asian market," he says. "A lot of what we learned in the hispanic market can be applied to the Asian market."

—Ed Fitch

Moms-and-pops out of TV ownership picture

By Marie Spadoni

In the wake of a booming hispanic market, the Spanish-language TV industry suddenly is hotter than a *chile*. The business is on the verge of a new era, rife with ownership changes and increased competition.

The reason for the upsurge is that the Spanish-language TV business is speaking a language any company understands. Last year, advertisers spent nearly $400 million on Spanish-language media, a 19.9% increase from $333.5 million in 1985. Although this is a fraction of general media expenditures, the business is on an established growth track. Ad expenditures totaled $224.4 million in 1983 and $284.5 million in 1984, according to *Hispanic Business*, Santa Barbara, Calif. Growth from 1983 to 1986 stands at 78.3%.

A more sophisticated management style may be the primary result of the ownership changes and consolidation. "There will be no effect other than Spanish-language TV might get that much more sophisticated with the presence of true U.S. business savvy," says Sharon Armbrust, analyst with Paul Kagan & Associates, Carmel, Calif.

The business has outgrown its humble beginnings, says an industry source. "It was not benefitting the industry to be in the hands of people who didn't know where to take it from here. What hispanic media needs is true broadcast management."

"Those days of mom-and-pop ownership have slowly disappeared as the market has matured," says Daniel Villanueva, president of KMEX-TV in Los Angeles. "As with banks and airlines, hispanic media is going the way of American business."

That maturation process—more than two decades of slowly built groundwork—accelerated last year with the Federal Communications Commission-mandated sale of 10 stations owned by Spanish International Communications Corp.

Pending FCC approval, the stations will be purchased for $301.5 million by Kansas City, Mo.-based Hallmark Cards and First Capital Corp. of Chicago.

In addition, a new Spanish-language network, New York-based Telemundo Group, was recently organized to challenge the long-running domination of Univision/Spanish International Network.

Univision, the New York-based satellite programming service and sales representative organization, currently reaches a possible 82% of U.S. hispanic households through its more than 400 affiliates.

Telemundo Group—formed by Saul Goldberg's Reliance Capital Group, New York—unites NetSpan and BlairSpan, two hispanic programming and sales representative services, and controls four owned-and-operated, Spanish-language stations.

"Our intention is to purchase additional stations in the top 10 markets, and to work with affiliates in smaller markets," says Henry Silverman, Reliance's ceo.

Although it's off to a good start—its four stations serve Los Angeles, Miami, New York and San Juan, Puerto Rico—Telemundo has substantial ground to cover before its clout and coverage mirror Univision's.

In 1985, when it was still called SIN Television Network, Univision controlled an estimated 85.4% of all hispanic TV ad dollars, according to *Hispanic Business*.

"For 25 years, SIN had a monopoly in Spanish TV," says Mr. Silverman. "For the first time, there is competition. Now viewers have a choice." The new network's first national broadcast, a news program, aired Jan. 12.

More programming than the nightly news will be affected by increased competition. For example, Telemundo will begin producing in the U.S. this year; with the exception of news, most Spanish-language programming is currently produced outside the U.S. "We think U.S. hispanics would rather see *novellas* that are more relevant to their life here in the U.S.," says Mr. Silverman, whose company is earmarking $20 million for 1987 programming.

Perhaps in response to Telemundo's efforts, Univision has beefed up its news program for 1987. "We are not resting on our laurels," says Robert Hitchens, vp-marketing for Univision.

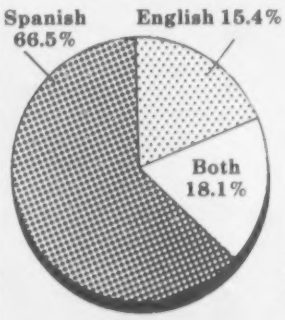
"Viewers will see some things they have not seen before," says Mr. Villanueva. Spanish-language TV had been criticized by some for offering programming its managers and owners be-

(Continued on Page S-12)

Marie Spadoni is Advertising Age's Phoenix, Ariz.-based correspondent.

Native tongue translates into favored language

Language most comfortable speaking



Age breakdown

	18-34	35-54	over 55
Spanish	61.1%	71.5%	73.1%
English	19.1	12.9	9.2
Both	19.8	15.6	17.7

Country of origin

	Cuba	Mexico	Puerto Rico	Other
Spanish	82.0%	65.7%	56.1%	72.0%
English	4.3	17.9	19.9	7.8
Both	13.7	16.4	24.0	20.2

Source: Strategy Research Corp.

Power

(Continued from Page S-2)

Cuban, Mexican or Puerto Rican background. There are more differences, including cultural, among Mexican-Americans living in Los Angeles at varying social, income and educational levels than there are among those living at the same level regardless of their heritage or where they live," Mr. Villar says.

In the past, where hispanics lived provided a convenient clue to their nationality. Although the Southwest remains mainly Mexican-American and the Northeast predominantly Puerto Rican, the geodemographic guidelines now are increasingly fuzzy.

"The wisdom is that a Puerto Rican appproach will work in New York," says Mr. Hitchens. "But 46% of the hispanic population is non-Puerto Rican, so you can't approach it simply as a Puerto Rican market."

This transcultural blending only will intensify, says Edward Fernandez, special assistant, Population Division, U.S. Census Bureau, Suitland, Md. "The 1990 Census should show that the traditional migration patterns to the metro areas are not as well-defined." More Mexicans are moving into the Northeast and Puerto Ricans are branching out of New York, he says.

Mr. Fernandez, however, cautions against using income as the common ground between hispanic segments. "[Major metro hispanic markets] may appear to become more homogeneous, but in reality they will be very heterogeneous. This cannot be emphasized enough."

Marketers will have to look at each individual group and try to walk a middle road, he says. "They will need a lot of sociologists in hispanic marketing."

Extreme differences in other demographic factors, such as age, education, gender and family size, will be more important than similarities in income; cultural factors will outweigh income considerations, he says. "In a simplistic description, it's true that hispanics become more similar as they become more affluent, but there are still vast cultural differences."

Stratifying the market by income is a long way off, Mr. Fernandez says. The continuing effects of immigration will reinforce cultural patterns and prevent homogenization of the hispanic populace, he says.

Mrs. Conill agrees. "Recent studies showed that although income is rising, the bonds to culture are getting stronger."

And with a median household income of $22,900 compared with the nation's $32,800, hispanics will not be thought of as an affluent group. "The hispanics who drive Mercedes are not representative of the entire market in terms of volume," says Ken Ocepek, Univision's midwest sales manager.

"But the people who make up that volume have the same mentality as the general market in the mid-1950s—one of optimism, opportunity."

That's a great mindset for companies willing to take a poke at the market's *pinata*.

CHICAGO'S SPANISH RADIO

When you are the Chicago station that has grown up with a community that is young, *75% under 35*; that works hard, *66% of Hispanic households have dual incomes*, and that prospers, *average household income of $23,300*, you become part of the community.

That's why we're Chicago's Spanish Radio.

Radio Ambiente

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Moms-and-pops fade out

(Continued from Page S-8)
lieved the audience wanted to see. Future programming decisions now will be based more on audience research, sources say.

"The viewer is definitely going to benefit," says Paula Tuchman, former hispanic programming director at KSCI-TV, Los Angeles. "The agencies and clients are going to benefit also. Both companies [Reliance and Hallmark] are very serious and are coming into this with huge dollars," she says.

Many look to increased financial backing as a means to generate more sophisticated research. "The biggest hindrance in the industry is lack of research," says Laura Marella, media director, Casanova, Pedrill Publicidad, Los Angeles. "When you want true respect of national advertisers, you have to speak their language and we cannot do that now."

Although industry observers maintain the changes will bring a new level of sophistication to hispanic media, a sensitive issue has been the industry's obvious shift to non-hispanic ownership.

"As with any growth industry in the U.S., Spanish-language TV became too important for major corporations not to pay attention," says Gary Berman, VP, Strategy Research, Miami. When word of the Hallmark purchase got out, there was industrywide speculation as to whether the company would maintain a hispanic format.

Although Hallmark has seriously targeted products to hispanics since 1982, the market segment was not the attraction, says Charles Hucker, Hallmark spokesman. Entering the TV industry was the draw, he says.

Nevertheless, Hallmark stands behind the hispanic market's validity and will maintain the stations' current format, Mr. Hucker says. The decision is reinforced by a contractual agreement with SICC that forces Hallmark to carry hispanic programming for at least two years. (See related story below.)

Despite such assurances, watching hispanic ownership shift into corporate America's hands is a bitter pill hispanic media must swallow.

"The hispanic broadcast industry worked hard and long to develop its craft," Mr. Berman says. "It must be difficult to give it up."

Mr. Villanueva agrees that letting go is not easy: "It is a highly emotional situation because we gave birth to this thing. We cannot believe we are giving up our baby."

Hispanic and general-market media are becoming closer, he says. "It is the wave of the future. I am not sure it is good news, but it is a reality."

The two TV worlds are inherently different, however. Hispanic TV is by definition a targeted medium and therefore a more risk-oriented business, says Ms. Armbrust.

In the future, however, general market independent stations may turn to the increasingly lucrative hispanic market and make a pitch for hispanic-targeted ad dollars, she says, through Spanish-language programming or bilingual broadcasts. "Not all hispanic dollars have to stay in Spanish-language TV."

A current unknown is whether traditional general market media will sell their ability to deliver a segment of the hispanic audience. Some clients, Golden, Colo.-based Adolph Coors Co., for example, already are combining English-language and Spanish-language placements in hispanic media plans, insisting younger hispanics watch English-language TV.

Spanish-language stations currently are in the best position to continue commanding the lion's share of hispanic-targeted TV ad budgets. According to Strategy Research, 66.5% of the nation's hispanics say they feel most comfortable speaking Spanish, and only 15.4% prefer to speak in English.

A wild card exists in the under-18 age group, which represents a whopping 37.3% of the total hispanic market. Language preference figures are not available for this group, but current thought suggests they will be increasingly comfortable with English as a result of being schooled in the language.

However, it has been recognized that hispanics will retain their native tongue, says Maura Donohue, sales manager, WOJO-FM in Chicago. "A cultural understanding, rather than knowing the language, is key to hispanic media."

The tailored programming anticipated from increased competition may be Spanish-language TV's best defense against English-language inroads. "I am very sanguine about the prospect of two forces in Spanish TV," says Charles Curran, national sales manager for New York-based BlairSpan. "There is room for both of us to provide a service—and make a lot of money."

But an increased Anglo interest, whether through programming or ownership, in Spanish-language TV probably will continue. As Mario Lazo, vp-media director for Mendoza, Dillon & Asociados, Newport Beach, Calif., says: "Money does not have a nationality."

We have an 'el' of an audience.

We deliver the most affluent Hispanic market in the United States. Miami.

For the rest of the story call Cesar Pizarro, Advertising Manager, El Miami Herald (305) 376-2724.

el MIAMI Herald en español

'Yelling and screaming' attends SICC purchase

It seems only fitting that in these times of corporate raiding even congenial sales create their share of grief for buyers and sellers. Such is the case with Kansas City, Mo.-based Hallmark Cards' and First Capital Investment Corp. of Chicago's purchase of 10 TV stations formerly owned by Spanish International Communications Corp.

SICC felt it had covered its bases pretty well in meeting a Federal Communications Commission mandate to somehow resolve a question of foreign control. "Everyone knew that when the stations were put on the block that if they didn't stay hispanic, there would be yelling and screaming," says a lawyer involved in the purchase who requested anonymity.

SICC shareholders included in the purchase agreement a clause that forced any buyer to continue employing station management for a period of one to three years, depending on how long they had worked at the station. "This was a very practical incentive for the buyer to stay in Spanish," the lawyer says.

The shareholders also insisted any buyer be contractually obligated to broadcast in Spanish for two years. "Although it may very well be that these stations could operate more profitably as Spanish-language stations, somebody could look at them and see them as the nucleus of an English-language network. "That's what Fox did, that's what Telepictures is doing," the lawyer says. A number of program providers looked at the stations in this light, he says.

"We thought the contract stipulations would diffuse the outcry, but they haven't." Nine different groups were petitioning the FCC against the sale to Anglos at presstime.

"What's funny is that nobody did this when Anglo Saul Steinberg bought WNJU," a major Spanish-language station serving the New York metro area. "He's Mr. Bottom Line, and nobody said a word about his intentions." The SICC sale, he says, simply was under more scrutiny.

"It's ironic that the people who started this business—and stood through it when nobody in their right mind would have stuck with Spanish TV—are taking all the grief."

—*Ed Fitch*

Ayer pays $25M for C&W Group

Price called conservative

By STEWART ALTER

N W Ayer is paying $25 million to Mickelberry Corp. to acquire C&W Group, parent of Cunningham & Walsh (AA, Nov. 24, *et seq.*). That figure is in the lower range of expectations in this era of megadeals and megamergers, when many advertising agencies go for huge sums seemingly equal to their annual revenues.

The $25 million price tag was figured as a combination of book value plus $10 million, as described in a recent filing with the Securities & Exchange Commission. By comparison, C&W's revenues for 1985, the last year for which Mickelberry has released data, were $39 million.

The setting of the $25 million price involved Mickelberry first lowering C&W's book value through such steps as removing $1.5 million to $2 million in excess cash from C&W's retained earnings.

In a separate development, C&W sued the federal government last month to collect $500,000 in employment taxes it says were illegally and erroneously collected from it. The suit was brought "in order to get [federal officials] to focus on the issue," said C&W President Horace Malfa.

As for Ayer buying C&W, using a formula of book value plus a percentage of gross income is "not uncommon" in selling agencies, said Don Ambuhl, senior VP at the American Association of Advertising Agencies. He noted that the percentage employed can vary from 30% to 60% of one year's gross income, depending on earnings.

Based on that formula, the $10 million added to C&W's book value would come in slightly below 30% of gross income. Thus, C&W was sold at the lower range of what agencies sell for, said Mr. Ambuhl.

The filing with the SEC, called an 8-K, did not include information about C&W's revenues or earnings.

The sale was structured to make sure C&W was sold before the tax laws changed Dec. 31. The day before, Dec. 30, a stock purchase agreement was signed transferring 49% of the shares of C&W Group to Ayer.

The sale, agreed upon in principle Dec. 19 and approved by both the Ayer and Mickelberry boards Dec. 22, is slated to be concluded by Feb. 17.

The actual book value of C&W Group before the sale was $18.4 million, but Mickelberry was to make a "reasonable effort" to reduce that figure to $15 million.

Three steps taken to reduce the book value: removing the Chicago-based BBDM/C&W, with book value of $800,000 to $1.6 million, from the sale; removing $1.5 million to $2 million in excess cash from C&W's retained earnings "while still leaving adequate working capital remaining," and reflecting "normal income tax liabilities" of these Mickelberry subsidiaries.

C&W was originally sold to Mickelberry on March 22, 1982, for $17.4 million. For the previous year, its book value was $10.4 million, its total operating income $33 million and its net income $2.2 million.#

Mac attack

(Continued from Page 1)

phone interview that the Miami-based company has grown more sensitive to the demand for a regional approach. He noted that local offices of the No. 2 chain's agency, J. Walter Thompson USA, New York, are working "more closely" with the regions to respond to individual needs.

"A single homogenized national strategy is not as sensitive to regional needs as one with more local influence," Mr. Olcott said. "Our advertising strategy is more sensitive to local needs. ... We're giving more power to regions to make local decisions."

It was apparently this attitude that led Burger King at franchisees' requests—to appoint Admarketing, Los Angeles, last year as the company's first local agency for the Los Angeles area. While Wendy's and McDonald's both use a stable of local agencies to address regional needs, BK uses JWT for all advertising. The local assignment in Los Angeles could be the start of a local-agency network for Burger King, but Mr. Olcott would only say that BK is closely watching the southern California arrangement.

Burger King raised upfront spending 25% to $50 million for the 1986-87 season. BK's total budget is about $200 million (AA, July 14).

Some chains say they now are shifting spending in the face of McDonald's advertising onslaught.

"We can't compete with that," said Lawrence Krueger, senior VP-marketing for Atlanta-based Arby's, referring to McDonald's network TV presence. As a result, Arby's last year halved its network TV budget to about $2.5 million and increased spot TV buying to about $25 million, which it has found to be a more effective strategy.

Unfortunately, the second phase of its "Taste the difference at Arby's" campaign via Backer & Spielvogel is planned for April, when the mammoth McDonald's push arrives. Arby's ads, introducing a Chicken Club sandwich and featuring the chain's first (as yet undisclosed) spokesman since it used Will Geer of "The Waltons" in the mid-'70s, will run predominantly locally.

"Our [operators] believe in network TV, but they're saying, 'Hey, I'm in a dogfight out here in Denver, or wherever, give me more control of my marketing money so I can compete,' " says Mr. Krueger. Arby's has responded by building up operator co-op groups and expanding field marketing staff to increase local marketing efforts such as event sponsorship.

"You want to try to outspend McDonald's [on TV]? Good luck to you," says Allan Zuckerman, president of Montgomery, Zuckerman, Davis, Indianapolis, which handles field marketing for Chi-Chi's and has done the same for Pizza Hut, Burger Chef and others.

"The restaurant industry is flat and doesn't promise to change soon," Mr. Zuckerman says. "I think a lot of executives are looking at their budgets and specifically at network TV and asking 'Is this doing anything for me and do I have the guts to get out?'

"There's definitely a trend, and that is to get closer to your customers. There are terrific differences between markets. ... National, umbrella advertising campaigns can't address those differences."

Hardee's Food Systems, a regional chain that in the past used a singular ad strategy in all markets, implemented a local-regional approach last year. The Rocky Mount, N.C.-based company now uses a common positioning theme—"We're out to win you over"—but changes specifics in the ad message market by market.

In 1985, Hardee's tried putting one-third of its TV budget into "regional network" (selling off coverage in markets where it has no stores). But last year it returned more heavily to local buys. It may again dabble in the networks, but probably not until the second half of this year. Ogilvy & Mather, New York, handles.

"Technology has evolved to the point where you can achieve efficiencies in being able to recognize that just like no two people are alike, no two geographies are alike," said Gary Langstaff, senior VP-marketing.

Mr. Langstaff said the strategy has not only been successful, but he views it as the wave of the future: "I don't think a lot of us truly recognize the opportunities in a more segmented approach—in this case it's geography, but longer term it will be according to demographics and psychographics."

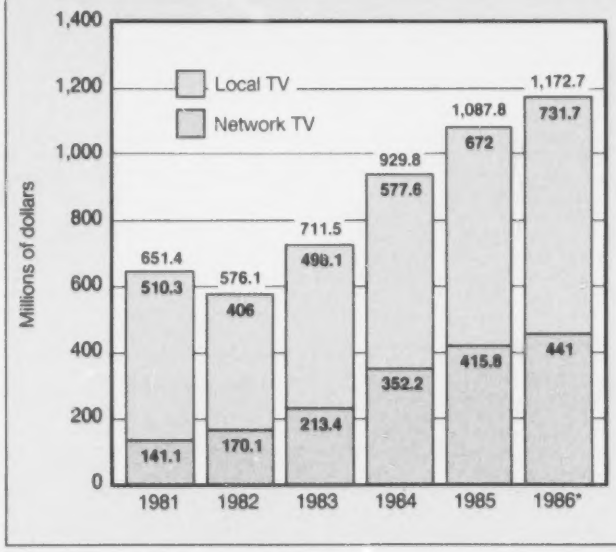
But some chains are maintaining a single, national strategy. Red Lobster Restaurants, Orlando, Fla., invests the majority of its ad dollars in network TV. "We feel if we advertise our high-quality food and good service [in all markets] that will motivate people to come into our restaurants," said Dick Monroe, Red Lobster's PR director.

McDonald's Corp. remains the one company that can have it all. With more than 7,200 U.S. stores covering every major market and more than $600 million last year to fund domestic advertising and promotion programs, Big Mac spends enough to command the best network TV slots (such as during the coveted first half of the Super Bowl) while still outspending its rivals on spot TV and local-market community projects.

Admitted one competitor, "We don't compete with McDonald's. We try to work around them."#

Restaurant ad spending on TV

Network tv ad spending by restaurants increased from 21.7% of the total in 1981 to 38.2% in 1985. But that trend showed signs of slowing in 1986, and industry execs expect the share of ad budgets given to network TV to begin shrinking in 1987. *Projected from first nine months' data. *Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.*



Thrill of corduroy, agony of pleats: ABC presses deal for sports clothes

By PAT SLOAN

New York—ABC Sports has licensed its name to Entertainment Properties for sports clothes carrying the ABC logo, a line expected to be backed by a $10 million ad budget.

Neither ABC nor Entertainment Properties would comment on the apparel deal. However, sources said the two companies were brought together by George Lois, whose agency, Lois Pitts Gershon Pon/GGK, last fall took over ABC Sports print and radio advertising from McCaffrey & McCall.

Since Mr. Lois initiated the deal, he is expected to have the inside track on the account. However, Lois Pitts is also the agency of record for Murjani International's Tommy Hilfiger clothes.

"We are semi-involved with the licensing, but nothing's been formalized yet," said Mr. Lois.

ABC's other agencies include Grey Advertising for prime time and Grey Entertainment Media for daytime.

Fisher, Jackson, Levy, Flaxman is the agency of record for Entertainment Properties.

Entertainment Properties was formed by Chuck Sullivan, whose family owns the New England Patriots, and is run by Warren Hirsh, president. The company's other clothing venture is the Michael Jackson apparel line introduced last year with $3 million in ad support.

The ABC Sports/Entertainment Properties agreement is patterned after the deals struck between a score of brand name and apparel marketers in the last two years, involving such brands as Coca-Cola, Pepsi-Cola, Jell-O, Winnebago, Miller Lite beer and, most recently, Budweiser.

Part of the reason for the growth is that apparel is the fastest-growing segment of the $50 billion licensing market, accounting for 40% of the total market, according to the Licensing Industry's Merchandisers Association.#

Miller

(Continued from Page 1)

the Olympics by securing long-term deals on the other sports properties.

The networks would presumably agree to lower Olympic commercial rates for Miller because it assumed a long-term risk in the baseball and football telecasts. The long-term buy would also help the networks because, by preselling some of the commercial inventory in the future telecasts, rates in general would be firmed up.

NBC officials vigorously denied any "discount," however. "Miller will pay the full rate card price on the Olympics," according to one executive.

However, if Miller paid rate card for the Olympics, it purchased NBC's baseball package at a bargain price. In 1984, Miller spent $26 million for half-exclusivity in ABC's Summer Olympics, and that deal did not include any other sports.

NBC, which is not offering audience guarantees in the Olympics, has projected a 21 prime-time rating for its coverage of the Summer Games. NBC reportedly is seeking a $14 household cost-per-thousand rate, or between $260,000 and $300,000 per 30-second prime-time spot (AA, April 21, 1986).

Backer & Spielvogel, Miller's agency of record for network TV buying, declined comment.

Steve Leff, exec VP-director of media services at B&S, has secured other highly innovative deals for Miller in the past. He was the first network TV negotiator to develop "category exclusivity" for a sponsor. By securing a large amount of time in a sports telecast, competing sponsors were effectively blocked from buying time in the event.

A Miller spokesman said, "We are in negotiations on a number of packages with different networks that may or may not lead" to an Olympics buy. He said the brewer would not make an announcement until all deals are completed.#